

MONTANA LEGISLATIVE HISTORY

Chapter 640 1985

Bill H _____ S 349

Original bill & history ☒ c

H. Committee on Bus & LAB

Hearing Date(s) 3/25 _____ c

3/25 _____ c

3/28 _____ c

_____ c

Date Out _____ c

S. Committee on Bus & Ind

Hearing Date(s) 2/14 _____ c

ex 2/21 _____ c

_____ c

_____ c

Did this bill originate in an interim committee? _____ Yes _____ No

Committee _____

Report _____

Free Conference appt 4/05
appt 4/18

SENATE FINAL STATUS

3/27 SIGNED BY PRESIDENT
 3/28 SIGNED BY SPEAKER

 3/28 TRANSMITTED TO GOVERNOR
 4/02 SIGNED BY GOVERNOR
 CHAPTER NUMBER 310 EFFECTIVE DATE: 10/01/85

SB 346 INTRODUCED BY HAGER, FULLER
 BASE AMOUNT FOR DETERMINING TAXABLE SOCIAL SECURITY
 OR RAILROAD RETIREMENT BENEFIT

2/06 INTRODUCED
 2/07 REFERRED TO TAXATION
 2/08 FISCAL NOTE REQUESTED
 2/14 FISCAL NOTE RECEIVED
 3/06 TABLED IN COMMITTEE

SB 347 INTRODUCED BY LANE, KOEHNKE, HALLIGAN, ET AL.
 PLACING RESPONSIBILITY FOR CERTAIN FIRE SUPPRESSION
 COSTS ON THE RAILROAD

2/07 INTRODUCED
 2/08 REFERRED TO NATURAL RESOURCES
 2/15 HEARING
 2/23 TABLED IN COMMITTEE

SB 348 INTRODUCED BY KEATING, PAVLOVICH, SHAW, ET AL.
 SITING ACT REVISIONS; DEFINITION OF UTILITY; NEED
 FOR FACILITY

2/07 INTRODUCED
 2/08 REFERRED TO NATURAL RESOURCES
 2/20 HEARING
 2/23 MINOR COMMITTEE REPORT NOT ADOPTED 23 27
 2/23 MAJOR COMMITTEE REPORT ADOPTED 29 21
 2/23 ADVERSE COMMITTEE REPORT
 2/23 BILL KILLED

SB 349 INTRODUCED BY MAZUREK
 AUTHORIZE ECONOMIC DEVELOPMENT BOARD TO GUARANTEE
 BONDS OR LOANS
 BY REQUEST OF MONTANA ECONOMIC DEVELOPMENT BOARD

2/07 INTRODUCED
 2/08 REFERRED TO BUSINESS & INDUSTRY
 2/14 HEARING
 2/21 COMMITTEE REPORT-BILL PASS AS AMENDED
 2/23 2ND READING PASS AS AMENDED 48 0
 2/25 3RD READING PASS 48 0

TRANSMITTED TO HOUSE
 2/27 REFERRED TO BUSINESS & LABOR
 3/25 HEARING
 3/25 COMM REPORT-BILL CONCURRED AS AMENDED
 3/26 REREFERRED TO BUSINESS & LABOR
 3/28 COMM REPORT-BILL CONCURRED AS AMENDED
 4/01 2ND READING CONCURRED 93 0
 4/01 3RD READING CONCURRED 98 2

RETURNED TO SENATE WITH AMENDMENTS

SENATE FINAL STATUS

4/04	2ND READING AMENDMENTS NOT CONCURRED	50	0
4/05	FREE CONFERENCE COMMITTEE APPOINTED		
4/16	FREE CONFERENCE COMMITTEE REPORT		
SENATE			
4/17	2ND READING FREE CONFERENCE COMMITTEE		
	REPORT ADOPTED	49	0
4/18	3RD READING FREE CONFERENCE COMMITTEE		
	REPORT ADOPTED	48	1
HOUSE			
4/16	2ND READING FREE CONFERENCE COMMITTEE		
	REPORT ADOPTED	84	7
4/17	3RD READING FREE CONFERENCE COMMITTEE		
	REPORT ADOPTED	85	8
4/25	SIGNED BY PRESIDENT		
4/25	SIGNED BY SPEAKER		
4/25	TRANSMITTED TO GOVERNOR		
4/30	SIGNED BY GOVERNOR		
	CHAPTER NUMBER 640 EFFECTIVE DATE:	4/30/85	
SB 350 INTRODUCED BY CRIPPEN, KEYSER			
IMPOSITION OF FINES FOR VIOLATIONS OF MONTANA			
SECURITIES ACT			
BY REQUEST OF SECURITIES DIVISION			
2/07	INTRODUCED		
2/08	REFERRED TO BUSINESS & INDUSTRY		
2/11	FISCAL NOTE REQUESTED		
2/14	HEARING		
2/14	COMMITTEE REPORT-BILL PASS AS AMENDED		
2/15	FISCAL NOTE RECEIVED		
2/16	2ND READING PASS	47	0
2/19	3RD READING PASS	44	0
TRANSMITTED TO HOUSE			
2/27	REFERRED TO BUSINESS & LABOR		
3/28	HEARING		
3/28	COMMITTEE REPORT-BILL CONCURRED		
3/30	2ND READING CONCURRED	93	0
4/01	3RD. READING CONCURRED	99	0
RETURNED TO SENATE			
4/05	SIGNED BY PRESIDENT		
4/08	SIGNED BY SPEAKER		
4/08	TRANSMITTED TO GOVERNOR		
4/10	SIGNED BY GOVERNOR		
	CHAPTER NUMBER 407 EFFECTIVE DATE:	4/10/85	
SB 351 INTRODUCED BY KEATING			
RESTITUTION TO VICTIMS OF ACCIDENTS CAUSED BY			
UNINSURED MOTORISTS			
2/07	INTRODUCED		
2/08	REFERRED TO JUDICIARY		
2/15	HEARING		
2/15	ADVERSE COMMITTEE REPORT	39	8
2/15	BILL KILLED		

SENATE BILL NO. 349

INTRODUCED BY MAZUREK

BY REQUEST OF THE MONTANA ECONOMIC DEVELOPMENT BOARD

IN THE SENATE

February 8, 1985	Introduced and referred to Committee on Business and Industry.
February 21, 1985	Committee recommend bill do pass as amended. Report adopted.
February 22, 1985	Bill printed and placed on members' desks.
February 23, 1985	Second reading, do pass as amended.
February 25, 1985	Correctly engrossed.
	Third reading, passed. Ayes, 48; Noes, 0.
	Transmitted to House.

IN THE HOUSE

February 27, 1985	Introduced and referred to Committee on Business and Labor.
March 25, 1985	Committee recommend bill be concurred in as amended. Report adopted.
March 26, 1985	On motion, taken from second reading and rereferred to Committee on Business and Labor.

March 28, 1985	Committee recommend bill be concurred in as amended. Report adopted.
March 30, 1985	Second reading, pass consideration.
April 1, 1985	Second reading, concurred in. Third reading, concurred in. Returned to Senate with amendments.

IN THE SENATE

April 1, 1985	Received from House.
April 4, 1985	Second reading, amendments not concurred in. Ayes, 50; Noes, 0.
April 5, 1985	On motion, Free Conference Committee requested and appointed.
April 16, 1985	Free Conference Committee reported. Free Conference Committee report adopted by House.
April 17, 1985	Second reading, Free Conference Committee report adopted.
April 18, 1985	Third reading, Free Conference Committee report adopted. Sent to enrolling. Reported correctly enrolled.

1 Senate BILL NO. 349
2 INTRODUCED BY Thompson
3 BY REQUEST OF THE MONTANA ECONOMIC DEVELOPMENT BOARD
4

5 A BILL FOR AN ACT ENTITLED: "AN ACT CLARIFYING AND
6 CONSOLIDATING THE BONDING AUTHORITY OF THE MONTANA ECONOMIC
7 DEVELOPMENT BOARD; AUTHORIZING THE BOARD TO GUARANTEE
8 CERTAIN BONDS AND LOANS; ESTABLISHING A LOAN LOSS RESERVE
9 FUND; AMENDING SECTIONS 17-5-1506, 17-6-308, 17-6-311, AND
10 17-6-315, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."
11

12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

13 Section 1. Section 17-5-1506, MCA, is amended to read:

14 "17-5-1506. Bonds and notes for projects and major
15 projects. (1) The board may by resolution issue negotiable
16 notes and bonds in a principal amount as the board
17 determines necessary to provide sufficient funds for
18 achieving any of its purposes, including the payment of
19 interest on notes and bonds of the board, establishment of
20 reserves to secure the notes and bonds, including the
21 reserve funds created under 17-5-1515, and all other
22 expenditures of the board incident to and necessary or
23 convenient to carry out this part.

24 (2) The board may by resolution, from time to time,
25 issue notes to renew notes and bonds or to pay notes,

1 including interest, and whenever it considers refunding
2 expedient, refund any bonds by the issuance of new bonds,
3 whether or not the bonds to be refunded have matured, or
4 issue bonds partly to refund bonds outstanding and partly
5 for any of its other purposes.

6 (3) Except as otherwise expressly provided by
7 resolution of the board, every issue of its bonds is an
8 obligation of the board payable out of any revenue, assets,
9 or money of the board, subject only to agreements with the
10 holders of particular notes or bonds pledging particular
11 revenues, assets, or money.

12 (4) The notes and bonds shall be authorized by
13 resolutions of the board, bear a date, and mature at the
14 times the resolutions provide. A note may not mature more
15 than 5 years from the date of its issue. A bond may not
16 mature more than 40 years from the date of its issue. The
17 bonds may be issued as serial bonds payable in annual
18 installments, as term bonds, or as a combination thereof.
19 The notes and bonds shall bear interest at a stated rate or
20 rates or at a rate or rate determination as stated, be in
21 denominations, be in a form, either coupon or registered,
22 carry registration privileges, be executed in a manner, be
23 payable in a medium of payment, at places inside or outside
24 the state, and be subject to terms of redemption as provided
25 in resolutions. The notes and bonds of the board may be sold

1 at public or private sale, at prices above or below par, as
 2 determined by the board, and in a manner such that interest
 3 on the bonds is either exempt from or subject to federal
 4 income tax.

5 (5) The bonds issued under this part are exempt from
 6 the Montana Securities Act, but copies of all prospectus and
 7 disclosure documents must be deposited with the state
 8 securities commissioner for public inspection.

9 (6) The total amount of bonds secured under 17-5-1515
 10 and 17-5-1519 outstanding at any one time ~~{for--projects~~
 11 ~~other--than--major--projects}~~, except bonds as to which the
 12 board's obligations have been satisfied and discharged by
 13 refunding or bonds for which reserves for payment or other
 14 means of payment have been provided, may not exceed \$25 \$75
 15 million.

16 ~~{7}--The--total--amount--of--bonds--outstanding--at--any--one~~
 17 ~~time--for--major--projects,--except--bonds--as--to--which--the~~
 18 ~~board's--obligations--have--been--satisfied--and--discharged--by~~
 19 ~~refunding--or--bonds--for--which--reserves--for--payment--or--other~~
 20 ~~means--of--payment--have--been--provided,--may--not--exceed--\$50~~
 21 ~~million."~~

22 Section 2. Section 17-6-308, MCA, is amended to read:

23 "17-6-308. Authorized investments. (1) The Montana
 24 in-state investment fund must be invested in the securities
 25 authorized as permissible investments under 17-6-211 and in

1 any other type of in-state investment authorized by rules
 2 adopted by the board. For purposes of this section,
 3 "investment" includes the guarantee of loans or bonds in
 4 consideration for a fee, in lieu of the actual acquisition
 5 of such loans or bonds.

6 (2) Except as provided in subsection (4), the board
 7 may use the in-state investment fund to guarantee loans or
 8 bonds issued under the provisions of 17-5-1501 through
 9 17-5-1529, Title 17, chapter 5, part 16, or Title 90,
 10 chapter 7. Each guaranty must be given in consideration of a
 11 fee. The fees must be paid to the board. The guaranty must
 12 provide directly or by separate agreement that the board is
 13 fully subrogated to the rights of the obligee under the loan
 14 or bond. The board shall by rule establish the maximum ratio
 15 between guaranty funds available and loans or bonds to be
 16 guaranteed. The board may covenant in bond issues to
 17 maintain such ratio.

18 (3) The board may make loans from the in-state
 19 investment fund to the capital reserve account created
 20 pursuant to 17-5-1515 and the guaranty fund created pursuant
 21 to 17-5-1520 to establish balances or restore deficiencies
 22 therein. The board may agree in connection with the issuance
 23 of bonds or notes secured by such account or fund to make
 24 such loans. Loans must be on such terms and conditions as
 25 the board determines and must be repaid from revenues of the

board realized from the exercise of its powers under 17-5-1501 through 17-5-1529, subject to the prior pledge of the revenues to the bonds and notes.

(4) Bonds or loans for projects financed under 17-5-1501 through 17-5-1529 whose cost or appraised value exceeds \$1,000,000 and that are not part of a pooled bond issue may not be guaranteed under the provisions of this section."

Section 3. Section 17-6-311, MCA, is amended to read:

"17-6-311. Limitation on size of investments. (1) No Except as provided in subsection (2), no investment may be made that will result in any one business enterprise or person receiving a benefit from or incurring a debt to the Montana in-state investment fund the total current accumulated amount of which exceeds 10% of the prior fiscal year's coal severance tax revenue deposited in the Montana in-state investment fund.

(2) Subsection (1) does not limit the board's authority to guarantee loans or bonds or make loans to the capital reserve account and guaranty fund as provided in 17-6-308(2) and (3)."

Section 4. Section 17-6-315, MCA, is amended to read:

"17-6-315. Service charges -- loan loss reserve fund.

(1) The board shall by rule establish reasonable service fees that may be charged on loans made from the Montana

in-state investment fund.

(2) For both coal tax loans and industrial development bond guaranties the board may deposit service charges, and up to .25% of the interest on coal tax loans, to a loan loss reserve fund. The board shall use the loan loss reserve fund to protect the in-state investment fund from losses."

NEW SECTION. Section 5. Extension of authority. Any existing authority of the Montana economic development board to make rules on the subject of the provisions of this act is extended to the provisions of this act.

NEW SECTION. Section 6. Effective date. This act is effective on passage and approval.

-End-

MINUTES OF THE MEETING
BUSINESS & INDUSTRY COMMITTEE
MONTANA STATE SENATE

February 14, 1985

The 21st meeting of the Business & Industry Committee met on February 14 in Room 410 of the Capitol Building at 10 a.m. Chairman Mike Halligan called the meeting to order

ROLL CALL: All committee members were present. Senator Cecil Weeding is now an official voting member of the committee making a total of eleven members.

CONSIDERATION OF SENATE BILL 350: Senator Bruce Crippen, State District 45 from Billings, is the sponsor of this bill at the request of the securities division of the State Auditor's office. This act provides for the imposition of fines by the securities commissioner upon finding that a securities act has been violated or upon the revocation or suspension of the license of a broker-dealer, salesman, or investment adviser. He added that a fine can be imposed only after a hearing has been held, and only after it has been appealed and the amount will be limited to \$500 per violation. He felt that possibly the word "first" should be struck before "lien" in two sections of the bill.

PROPONENTS: Kim Schulke, Staff Attorney for the State Auditor's Office, stated this will enable them to impose a fine when violations occur and provide an additional remedy for the securities department to be reimbursed for expenses whenever a violation occurs.

OPPONENTS: There were no opponents to Senate Bill 350.

Questions were then called for. Rick Tucker, Deputy Director of the Securities Commission, explained that the lien does not provide a problem for them but for out-of-state violators it is perhaps the only remedy for compensation if they do not have property in the state. Senator Halligan asked if the \$500 was enough and Kim Schulke replied they were looking more for a penalization rather than a felony and felt that \$500 was adequate. Senator Crippen closed the hearing on Senate Bill 350.

CONSIDERATION OF SENATE BILL 399: Senator Bruce Crippen, Senate District 45 from Billings, introduced this bill at the request of the Securities Division of the State Auditor's Office. This bill will generally revise the laws relating to securities. He explained there are four areas he wanted to make note of. The first deals with the exemption securities just making it conform with the language of the uniform securities act. The second creates a new exemption which would exempt from registration those securities meeting the criteria which is the electronic marketplace. The third, on page 15, clarifies when the small offering exemption is available. On page 29 there is new language which allows a securities registrant to sell securities in excess of the amount registered.

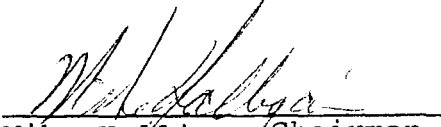
CONSIDERATION OF SENATE BILL 349: Senator Joe Mazurek, Senate District 23 of Helena, drafted this bill at the request of the Montana Economic Development Board. The board has already sold two bonds and the purpose is to provide long-term fixed rate financing for businesses in Montana. This bill will make three changes in the industrial pool revenue bond program. It would clarify that the total limit on the program is \$75 million. Section 2 and 3 authorize the board to place a portion of the in-state investment fund in a guaranteed fund to backpool industrial revenue bonds issued by the board. By doing so, he stated it will place the bonds where they are more marketable. Section 4 authorizes the board to use board fees and a portion of the interest earned to establish a loan loss reserve fund.

PROPONENTS: Dale Harris, Deputy Administrator of the Economic Board, explained the bill includes three separate but related amendments to existing law. Section 1 clarifies without increasing the bonding ceiling for the revenue bond program. Section 2 & 3 sets up a guaranty or reserve fund and section 4 authorizes the board to use fees and a portion of the interest to establish a loan loss reserve fund. (EXHIBIT 9) He gave the committee a handout which explained what the protection to fund the guaranty does. (EXHIBIT 10) They feel this is a very sound program. As they do more bond issues the bond market will dry up in Montana and so they will need access to national bond markets. They need the authority to use a modest portion of the coal severance tax money to be placed as a guaranty to supplement the private guaranty behind the industrial revenue bonds. He feels it is prudent to set aside a fund to have a reserve for loan losses should they occur in the future. The board urges adoption of this measure. Gene Hufford, with D.A. Davidson, stated they are the senior managers of these bonds that were sold already and they all received an "A" rating. He feels this would greatly benefit the state of Montana if this legislation is passed. Mary Munger, Chairman of the Montana Health Facilities, feels it would provide an option for their organization to be able to help rural areas especially with low interest loans. Gary Erickson, real estate developer from Missoula, supports the bill but would like to see it amended. (EXHIBIT 11) Steve Browning, representing Miller-Schroeder Municipals, is in full support of this program. (EXHIBIT 12) The committee was told there were many more who would have been here to speak if there had been longer notice.

Questions were then asked from the committee members. Senator Thayer asked about the amendments discussed and was told the amendment proposed for page 5, line 5 was the one the Economic Board is recommending be added. (EXHIBIT 13) Senator Neuman asked Gene Hufford what was necessary to keep the "A" rating and was told they needed access to \$15 million. Senator Gage stated last session they used a portion of general revenue bonds to get the "A" rating. Dale Harris explained the purpose is the

same but mechanically this works differently. Senator Williams asked what type of businesses the current loans were made to and was told most were for small businesses and 1/4 was for starting new businesses. Senator Halligan asked what sort of discretion is used to pick those who can get loans and was told most businesses in Montana were eligible. They must go through a bank and they in turn deal with the board. Senator Christiaens asked if they were saying that by guaranteeing the loans that the bond rating would be better and Dale Harris stated they were. Senator Mazurek closed by urging a do pass on this legislation. The hearing was closed on Senate Bill 349.

The meeting was adjourned at noon.


Mike Halligan, Chairman

cd

SENATE BILL 349
AMENDMENTS TO MEDB LAWS

This Bill includes three separate, but related amendments to the Board's existing legislation for issuing Pooled Industrial Revenue Bonds to finance loans to small businesses.

Loans are limited to one million dollars and the Board has issued in December its first Bond under the program for \$3,650,000 to fund loans to seven businesses.

The Board anticipates selling its second Pooled Industrial Revenue Bond in May for six million dollars for loans to ten to twelve Montana businesses and expects to have funded 37 million by the end of the biennium.

The program has been well received by banks and businesses from all parts of the state and is providing long-term fixed rate financing to Montana businesses as it was designed to do by the 1983 Legislature.

In working with the laws as approved by the 1983 Legislature, the Board has identified three areas where their program would benefit from amendments. The amendments in the order they are contained in the Bill include:

- Section 1 - clarifies without increasing the bonding ceiling for the
Boards Industrial Revenue Bond Program
- Section 2 & 3 - authorizes the Board to place a portion of the Board's Instate
Investment Fund in the guarantee fund or reserve fund that
backs the Pooled Industrial Revenue Bonds issued by the Board
- Section 4 - authorize the Board to use Board fees and a portion of interest
to establish a loan loss reserve fund to protect the Instate
Investment Fund from loss.

Section 1

Section 1 is required because the 1983 Legislature passed two separate bills granting bonding authority to the Board (\$25 million in HB 700 and \$50 million in HB 871.) This amendment would simply combine the two statements of authority into one \$75 million authority.

PROPOSED LEGISLATION AUTHORIZING USE
OF IN-STATE INVESTMENT FUND
TO GUARANTEE POOLED IDBs

Why is a funded guarantee necessary?

The Montana Economic Development Board (MEDB) is authorized by statute to "guarantee" industrial development bonds that it issues, but the 1983 Legislature did not clearly authorize that the Board could use the In-State Investment Fund (Coal Tax Trust Funds) to back the Board's guarantee of industrial development bonds. (It was not requested to do so.)

The bonds currently can be marketed in Montana as the equivalent of an "A" rated bond, but a rating from a national service is necessary to market the bonds successfully outside of Montana. The Board needs access to the national market, because bond buyers in Montana will not be able to absorb the total anticipated issuance of \$37.6 million in bonds by the end of the 1987 biennium.

A funded guarantee or five years of experience is necessary to obtain an "A" rating on the bonds from a national bond rating service such as Moody's or Standard and Poor's.

Such a funded guarantee of the Board's "Pooled IDB Program" would greatly strengthen the program and provide lower interest rates to businesses who participate in the program.

A guarantee fund equal to 10 percent of outstanding bonds would be sufficient to increase the credit rating of the bonds. For each dollar of coal tax pledged, \$10 of business loans could be financed by the selling of pooled bonds. This leveraging of the In-State Investment Fund would increase the number of businesses that would benefit from the fund. Only \$3.7 million of the \$40 million that will be deposited in the In-State Investment Fund would be necessary to back the estimated \$37.6 million in pooled IDB bonds.

At least 15 states have similar programs for guaranteeing industrial development bonds.

The proposed law authorizes the MEDB to use a portion of the In-State Investment Fund to guarantee industrial development revenue bonds. Use of coal tax funds to guarantee pooled IDB bonds will greatly strengthen the credit of IDBs, make them more attractive to the bond market and therefore provide lower interest rates to small businesses participating in the program.

Summary of Benefits:

2

A funded reserve is necessary for the MEDB to secure an investment grade rating on its Pooled Industrial Revenue Bond Program. Such a rating will provide three benefits:

First, if activity in the program reaches the currently anticipated volume, a rating will be a necessity simply for Program continuation. This is because the bonds will need to be marketed by a diversified underwriting group both within and outside the State of Montana. This cannot be practically accomplished without a bond rating.

Second, a funded guarantee will permit an "A" rating on the bonds which will provide a direct interest rate savings to small Montana businesses participating in the program of around .25 to .4 percent.

Third, a fund reserve or guarantee would provide financial protection for the "moral obligation pledge" under the current program.

Is a guarantee an investment or appropriation of funds?

A guarantee for a fee paid by the business benefiting from the guarantee and secured by mortgage on real estate is an investment comparable to other investments authorized by the MEDB, and does not constitute an appropriation of funds or creation of a state debt.

Is a 3/4 vote required?

No. For the above reasons, the guarantee is an investment of public funds (the In-State Investment Fund), not an appropriation of public funds.

How is the inviolability of the Coal Tax Trust Fund protected?

The guarantee is secured with mortgages on the property financed. The guarantee fees collected from the financed businesses will be placed in the guarantee fund and used before the trust is used to back the guarantee. Finally, if there is an actual reduction in the principal of the trust, the bill creates a loan loss reserve fund to replace the loss of principal with fees and interest from the Board's coal tax loans.

Why does the bill also refer to the Pooled Municipal Bond law and Health Facilities law?

The Board would have the discretion of guaranting projects under either program for a fee to be paid by the borrower. Such a guarantee would increase the marketability of such bond issues.

Section 4

Establishment of a loan loss reserve fund is a standard banking practice. It is the Board's judgment that a loan loss reserve should be established as a prudent safeguard against any loss to the Instate Investment Fund.

Although every precaution will be taken in evaluating loans, no matter how carefull the decisions on loans are, changes in the economy or other unforeseen circumstances can cause a good loan to go bad. The Board is protected by personal guarantee and collateral, but also feels that it is prudent to establish a loan loss reserve from it's fees and a small portion of interest on the loans.



MONTANA ECONOMIC DEVELOPMENT BOARD
POOLED INDUSTRIAL REVENUE BOND PROGRAM

PROTECTION TO FUNDED GUARANTEE

	<u>MINIMUM</u>	<u>ACTUAL</u> *
EQUITY CONTRIBUTION TO BORROWER:	10%	21%
BANK LETTER OF CREDIT	35%	35%
GUARANTEE FUND FROM BORROWER CONTRIBUTIONS **		
- APPROX. 5% OF TOTAL LOANS OUTSTANDING	@ 15%	@ 15%
- APPROX. 33% OF AVERAGE LOAN		
TOTALS:	<u>60%</u>	<u>71%</u>
REQUIRED LIQUIDATION RECOVERY AT COST:	<u>40%</u>	<u>29%</u>
(Appraised value generally exceeds cost)		

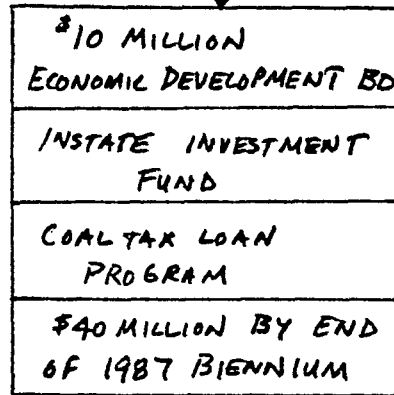
In addition, each bond issue includes a 15% capitalized reserve account, which may also be used to make payments on the bonds until assets are liquidated.

* BASED ON THE MEDB'S FIRST POOLED ISSUE IN DECEMBER, 1984

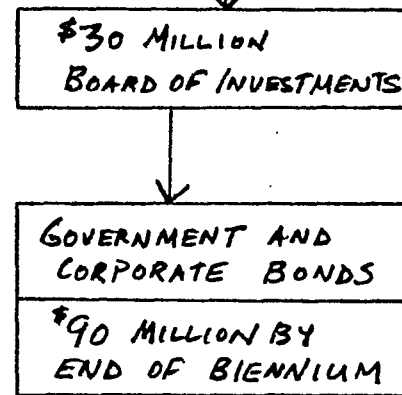
** FUNDED BY A .5% INTEREST RATE OVERRIDE PAID BY BORROWERS;
AVERAGE BALANCE IN FUND FOR THE BOARD'S DECEMBER 1984 ISSUE OVER FIRST
THREE YEARS IS \$140,000.

ANNUAL COAL TAX TRUST FUND DEPOSITS

25%



75%



COAL TAX LOANS
\$40 MILLION
IN LOANS

BOND GUARANTEES
APPROX. \$3.7 MILLION
FOR \$37 MILLION IN
IDB LOANS

Amendment to Senate Bill 349, Introduced Bill

1. Page 5, line 4
Strike: lines 4 through 8

NAME Steve Browning Bill No. SB 349
ADDRESS P.O. Box 162 Helena, MT 59624 DATE 2/14/85
WHOM DO YOU REPRESENT Miller Schroeder Municipals, Inc.
SUPPORT ☒ OPPOSE ☐ AMEND ☐

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

Miller Schroeder is serving as the designer of a bond guarantee-oriented Montana business program for the Montana Board of Investments. The preliminary design envisions extensive reliance upon the bonding program of the Montana Economic Development Board. MEDB's statutory powers and restrictions need clarification with respect to the guaranteeing of bonds. Further, absent an adequate loan loss reserve fund, it is unlikely that the bonds issued and/or guaranteed will obtain a rating by appropriate agencies that will allow attractive interest rates for Montana development.

Mr Richard Graves and/or Mr James Casserly who are the V.P.s at Miller Schroeder working with the Mt Bd of Inv. would have testified at the hearing today in support of SB 349 but time was too short. They will be submitting written testimony on this issue at a later date.

Amendments to Senate Bill 349, Introduced Bill

1. Page 5, line 5

Following: "17-5-1529

Strike: "whose cost or appraised value"

Insert: "for which the financing to be provided by the board"

MINUTES OF THE MEETING
BUSINESS & INDUSTRY COMMITTEE
MONTANA STATE SENATE

February 21, 1985

The 26th meeting of the Business & Industry Committee met on Thursday, February 21 in Room 325 of the Capitol Building at 10 a.m. The meeting was called to order by Chairman Mike Halligan.

ROLL CALL: All committee members were present except for Senator Neuman who was excused.

CONSIDERATION OF SENATE BILL 391: Senator Paul Boylan, Senate District 39, Bozeman, is the chief sponsor of this bill which would provide for licensing and placement of video draw poker machines, provide powers and duties for the Department of Revenue, provide for distribution of revenues and provide a penalty provision. He feels people are very interested in having electronic poker machines and hopes this will not wind up in the courts as others have in the past.

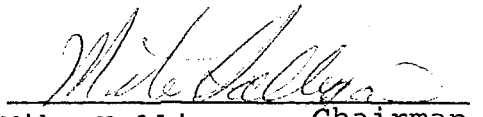
PROPOSERS: Representative Paul Pistoria, Great Falls House District 36, feels this is the best bill that has ever been presented for electronic poker machines. He feels it will produce revenue for local governments and the state and is tamper proof. John Poston, Lobbyist for the Montana Coin Machine Operators Association explained that the Department of Revenue has submitted some amendments which they had no objection to. (EXHIBIT 1) He feels efforts to expand gambling had gone too far in the past and this measure will allow the expansion of gambling to allow the Draw Poker machines. It will provide control for the placement of the machines and allow the revenue that is generated to be a viable and dependable source of revenue for local governments. He explained the bill was carefully drafted and features control such as a series of licenses, a computer system that leaves four audit trails, has a pre-set payoff, a main computer terminal in the Department of Revenue and would have audit powers when necessary. He feels the fiscal note that was prepared is conservative and could be much more. (EXHIBIT 2) The revenue would be divided 40% to the machine owner, 40% to the licensed establishment where the machine is located and 20% would be split between the state and local governments. There would also be a 60-month exclusive contract between the owner and the establishment. He feels it would bring back a popular game that was played in the state and provide adequate control and still share the revenues gained in a meaningful way. The Department of Revenue feels they can handle this within their department with no additional funding. Representative Kelly Addy, co-sponsor of this measure, from House District 94 in Billings, stressed two points, control and revenue. He feels the placement of video poker machines in a highly controlled manner would assure the state they would receive all the revenues they would be entitled to. He feels the local governments need more resources for revenue generation and this would help them out considerably.

stated you would still be able to have your tanks filled but by an authorized dealer. Senator Gage felt the way the bill was drafted you would not be able to have a tank filled unless you gave the dealer authorization. Senator Boylan felt there are some real restrictions already when you get an oxygen tank filled. Senator Christiaens explained it was just additional protection for the individual's health and safety. Senator Goodover wondered if you would be in violation if your name was not on the tank. Senator Kolstad explained there are serial numbers stamped on each tank with the owner's name on it now. Senator Christiaens explained this was mainly for an individual who tries to fill his own tank. Senator Thayer wondered if this bill was patterned after any other state law and was told that he thought not. Senator Kolstad wondered how such a law could be enforced. Senator Christiaens then closed the hearing on Senate Bill 423.

DISPOSITION OF SENATE BILL 404: This bill was passed by the committee on February 20, 1985 but the statement of intent was overlooked and needed adoption also. Motion was made by Senator Kolstad to PASS the statement of intent for Senate Bill 404. The motion carried.

DISPOSITION OF SENATE BILL 355: Senator Fuller then moved to DO NOT PASS Senate Bill 355. The motion carried.

DISPOSITION OF SENATE BILL 349: Senator Thayer wanted explanation of the two amendments proposed for this bill. (EXHIBIT 11) Senator Thayer asked Dale Harris from the Board of Economic Development to explain the amendment that strikes lines 4 through 8 and he explained the present bill would limit them to use the coal tax to guarantee loans under \$1 million. By striking these lines it would permit the board to guarantee loans between \$1 million and \$10 million. Senator Christiaens felt the committee should be aware that when you take on the larger projects that you would be cutting out some of the smaller ones that are very needy also. Senator Thayer then moved TO PASS the amendment to strike lines 4 through 8, thus removing the \$1 million requirement. Senator Halligan spoke against this motion. This motion failed on a roll call vote 6 to 4. Senator Gage then moved to pass the housekeeping amendment. (EXHIBIT 12) This motion carried. Senator Fuller then moved to PASS Senate Bill 349 AS AMENDED. The motion carried with Senator Goodover voting no. The meeting was adjourned at noon.


Mike Halligan, Chairman

BUSINESS & INDUSTRY

COMMITTEE

49th LEGISLATIVE SESSION -- 1985

Date 2/21/85SENATE
SEAT
#

NAME	PRESENT	ABSENT	EXCUSED
Chairman Halligan	X		
V-chrm. Christiaens	X		
Senator Boylan	X		
Senator Fuller	X		
Senator Gage	X		
Senator Goodover	X		
Senator Kolstad	X		
Senator Neuman			X
Senator Thayer	X		
Senator Williams	X		
Senator Weeding	X		

Each day attach to minutes.

ROLL CALL VOTE

SENATE COMMITTEE BUSINESS & INDUSTRY

Date February 21, 1985 Bill No. 349 Time 11:45 a.m.

NAME	YES	NO
Chairman Mike Halligan		X
V-Chrm. B. F. Christiaens		X
Senator Paul Boylan		X
Senator David Fuller		X
Senator Delwyn Gage	X	
Senator Pat Goodover	X	
Senator Allen Kolstad	X	
Senator Ted Neuman	excused	
Senator Gene Thayer	X	
Senator Bob Williams		X
Senator Cecil Weeding		X

Carol Duval
Secretary

Mike Halligan
Chairman

Motion: Motion by Senator Thayer to pass the amendment
strike line 4 through 8 on page 5, line 4 of the Senate Bill 349.
Motion failed 6 to 4.

EXHIBIT 11
BUSINESS & INDUSTRY
February 21, 1985

Amendment to Senate Bill 349, Introduced Bill

1. Page 5, line 4
Strike: lines 4 through 8

Amendments to Senate Bill 349, Introduced Bill

EXHIBIT 12
BUSINESS & INDUSTRY
February 21, 1985

1. Page 5, line 5

Following: "17-5-1529

Strike: "whose cost or appraised value"

Insert: "for which the financing to be provided by the board"

1 SENATE BILL NO. 349

2 INTRODUCED BY MAZUREK

3 BY REQUEST OF THE MONTANA ECONOMIC DEVELOPMENT BOARD

4
5 A BILL FOR AN ACT ENTITLED: "AN ACT CLARIFYING AND
6 CONSOLIDATING THE BONDING AUTHORITY OF THE MONTANA ECONOMIC
7 DEVELOPMENT BOARD; AUTHORIZING THE BOARD TO GUARANTEE
8 CERTAIN BONDS AND LOANS; ESTABLISHING A LOAN LOSS RESERVE
9 FUND; AMENDING SECTIONS 17-5-1506, 17-6-308, 17-6-311, AND
10 17-6-315, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."
11

12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

13 Section 1. Section 17-5-1506, MCA, is amended to read:

14 "17-5-1506. Bonds and notes for projects and major
15 projects. (1) The board may by resolution issue negotiable
16 notes and bonds in a principal amount as the board
17 determines necessary to provide sufficient funds for
18 achieving any of its purposes, including the payment of
19 interest on notes and bonds of the board, establishment of
20 reserves to secure the notes and bonds, including the
21 reserve funds created under 17-5-1515, and all other
22 expenditures of the board incident to and necessary or
23 convenient to carry out this part.

24 (2) The board may by resolution, from time to time,
25 issue notes to renew notes and bonds or to pay notes,

1 including interest, and whenever it considers refunding
2 expedient, refund any bonds by the issuance of new bonds,
3 whether or not the bonds to be refunded have matured, or
4 issue bonds partly to refund bonds outstanding and partly
5 for any of its other purposes.

6 (3) Except as otherwise expressly provided by
7 resolution of the board, every issue of its bonds is an
8 obligation of the board payable out of any revenue, assets,
9 or money of the board, subject only to agreements with the
10 holders of particular notes or bonds pledging particular
11 revenues, assets, or money.

12 (4) The notes and bonds shall be authorized by
13 resolutions of the board, bear a date, and mature at the
14 times the resolutions provide. A note may not mature more
15 than 5 years from the date of its issue. A bond may not
16 mature more than 40 years from the date of its issue. The
17 bonds may be issued as serial bonds payable in annual
18 installments, as term bonds, or as a combination thereof.
19 The notes and bonds shall bear interest at a stated rate or
20 rates or at a rate or rate determination as stated, be in
21 denominations, be in a form, either coupon or registered,
22 carry registration privileges, be executed in a manner, be
23 payable in a medium of payment, at places inside or outside
24 the state, and be subject to terms of redemption as provided
25 in resolutions. The notes and bonds of the board may be sold

1 at public or private sale, at prices above or below par, as
 2 determined by the board, and in a manner such that interest
 3 on the bonds is either exempt from or subject to federal
 4 income tax.

5 (5) The bonds issued under this part are exempt from
 6 the Montana Securities Act, but copies of all prospectus and
 7 disclosure documents must be deposited with the state
 8 securities commissioner for public inspection.

9 (6) The total amount of bonds secured under 17-5-1515
 10 and 17-5-1519 outstanding at any one time ~~for--projects~~
 11 ~~other--than--major--projects},~~ except bonds as to which the
 12 board's obligations have been satisfied and discharged by
 13 refunding or bonds for which reserves for payment or other
 14 means of payment have been provided, may not exceed \$25 \$75
 15 million.

16 ~~{7}--The--total--amount--of--bonds--outstanding--at--any--one~~
 17 ~~time--for--major--projects,--except--bonds--as--to--which--the~~
 18 ~~board's--obligations--have--been--satisfied--and--discharged--by~~
 19 ~~refunding--or--bonds--for--which--reserves--for--payment--or--other~~
 20 ~~means--of--payment--have--been--provided,--may--not--exceed--\$50~~
 21 ~~million--"~~

22 Section 2. Section 17-6-308, MCA, is amended to read:

23 "17-6-308. Authorized investments. (1) The Montana
 24 in-state investment fund must be invested in the securities
 25 authorized as permissible investments under 17-6-211 and in

1 any other type of in-state investment authorized by rules
 2 adopted by the board. For purposes of this section,
 3 "investment" includes the guarantee of loans or bonds in
 4 consideration for a fee, in lieu of the actual acquisition
 5 of such loans or bonds.

6 ~~(2) Except-as-provided--in--subsection--(4),--the~~ THE
 7 board may use the in-state investment fund to guarantee
 8 loans or bonds issued under the provisions of 17-5-1501
 9 through 17-5-1529, Title 17, chapter 5, part 16, or Title
 10 90, chapter 7. Each guaranty must be given in consideration
 11 of a fee. The fees must be paid to the board. The guaranty
 12 must provide directly or by separate agreement that the
 13 board is fully subrogated to the rights of the obligee under
 14 the loan or bond. The board shall by rule establish the
 15 maximum ratio between guaranty funds available and loans or
 16 bonds to be guaranteed. The board may covenant in bond
 17 issues to maintain such ratio.

18 (3) The board may make loans from the in-state
 19 investment fund to the capital reserve account created
 20 pursuant to 17-5-1515 and the guaranty fund created pursuant
 21 to 17-5-1520 to establish balances or restore deficiencies
 22 therein. The board may agree in connection with the issuance
 23 of bonds or notes secured by such account or fund to make
 24 such loans. Loans must be on such terms and conditions as
 25 the board determines and must be repaid from revenues of the

board realized from the exercise of its powers under 17-5-1501 through 17-5-1529, subject to the prior pledge of the revenues to the bonds and notes.

~~(4) -- Bonds -- or -- loans -- for -- projects -- financed -- under 17-5-1501 through 17-5-1529 whose cost -- or -- appraised -- value FOR -- WHICH -- THE -- FINANCING -- TO -- BE -- PROVIDED -- BY -- THE -- BOARD exceeds \$17,000,000 and that are not part of a pooled bond issue -- may not be guaranteed under the provisions of this section.~~

Section 3. Section 17-6-311, MCA, is amended to read:

"17-6-311. Limitation on size of investments. (1) No Except as provided in subsection (2), no investment may be made that will result in any one business enterprise or person receiving a benefit from or incurring a debt to the Montana in-state investment fund the total current accumulated amount of which exceeds 10% of the prior fiscal year's coal severance tax revenue deposited in the Montana in-state investment fund.

(2) Subsection (1) does not limit the board's authority to guarantee loans or bonds or make loans to the capital reserve account and guaranty fund as provided in 17-6-308(2) and (3)."

Section 4. Section 17-6-315, MCA, is amended to read:

"17-6-315. Service charges -- loan loss reserve fund.

(1) The board shall by rule establish reasonable service fees that may be charged on loans made from the Montana

in-state investment fund.

(2) For both coal tax loans and industrial development bond guaranties the board may deposit service charges, and up to .25% of the interest on coal tax loans, to a loan loss reserve fund. The board shall use the loan loss reserve fund to protect the in-state investment fund from losses."

NEW SECTION. Section 5. Extension of authority. Any existing authority of the Montana economic development board to make rules on the subject of the provisions of this act is extended to the provisions of this act.

NEW SECTION. Section 6. Effective date. This act is effective on passage and approval.

-End-

MINUTES OF THE MEETING
BUSINESS AND LABOR COMMITTEE
MONTANA STATE
HOUSE OF REPRESENTATIVES

March 25, 1985

The meeting of the Business and Labor Committee was called to order by Chairman Bob Pavlovich on March 25, 1985, at 8:00 a.m. in Room 312-2 of the State Capitol.

ROLL CALL: All members were present.

SENATE BILL 349: Hearing commenced on Senate Bill 349. Senator Joe Mazurek, District #23, sponsor of the bill by request of the Montana Economic Development Board, explained this revises the bonding authority of the board. The bill allows the board to use the in-state investment fund to guarantee loans or bonds for a fee. The board is authorized to lend money from the in-state investment fund to the capital reserve account. The bonds are not marketable outside of the state. This will give the board the authority to establish a loan loss reserve account.

Proponent Dale Harris, Deputy Administrator, Economic Development Board, explained the guarantee is necessary to market the funds. The focus of the "Build Montana" program is on small business projects. By deleting the 1 million dollar maximum we will stray from this. This bill clarifies the allocation of the bonding authority, added Mr. Harris.

Proponent Mary Munger, representing the Montana Health Facility Authority, stated they would benefit from the in-state investment fund and that it could be used upon requirement of authority to guarantee notes and bonds.

Proponent Don Allen, representing the Montana Hospital Association, explained that the cost of health care must include the cost of money and this will help contain health care costs.

Representative Norm Wallin, District #78, offered his support and stated this will enable those small borrowers to get a favorable rate.

Proponent Mike Fitzgerald, President, Montana International Trade Commission who was behind the "Build Montana" program offered his support. We need the maximum amount of initiative and financial tools to build Montana. Many projects to reinstate the industrial base require greater than 1 million dollars.

Proponent Steve Browning, representing Miller & Schroeder Municipals, Inc., stated the federal government will move to restrict the use of industrial revenue bonds and significant projects could be denied industrial revenue bond funding.

Representative Kadas asked Senator Mazurek what the rationale was on the senate floor to remove the 1 million dollar provision. Senator Mazurek stated the concern for funding larger projects was the reason.

Representative Kadas asked Dale Harris to comment on the remarks made by Steve Browning regarding the federal government. Mr. Harris explained that there is a federal act that sunsets December, 1986 and further restrictions are being imposed. The idea that larger projects should stand on their own credit are apparent.

Representative Simon asked Dale Harris what has happened in the two year period. Mr. Harris stated that under the coal tax program there is 15.5 million dollars loaned to 13 business' to date and that the pooled investment revenue bond funds could not be implemented due to pending legislation.

Representative Simon then asked Dale Harris if there is the need and interest in money over 1 million dollars. Mr. Harris stated there are seven business' currently that have projects over 1 million dollars.

Representative Kadas called upon Dale Harris to explained the term "moral obligation" as used in his testimony.

There being no further discussion by proponents and no opponents present, all were excused by the chairman and the hearing on Senate Bill 349 was closed.

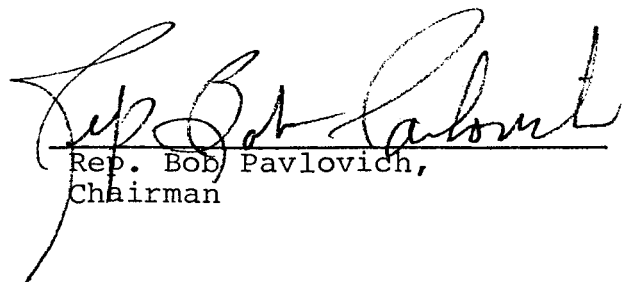
SENATE BILL 438: Hearing commenced on Senate Bill 438. Senator Joe Mazurek, introduced the bill for Senator Tom Towe, District #46, sponsor of the bill. Senate Bill 438 places a ceiling of \$250,000 on the net worth of a borrower from the Montana Agricultural Loan Authority, reduces from \$400 million to \$40 million the total bonding authority for Beginning Farmer Loans and is effective immediately.

Proponent Keith Kelly, Director, Department of Agriculture, supplied written testimony which is attached hereto as Exhibit 3.

ACTION ON SENATE BILL 349: Representative Brandewie moved DO PASS on Senate Bill 349. Representative Schultz questioned whether loans over \$1 million should be stand alone type loans. Representative Simon stated that they have not used this yet, but the interest is there. Representative Wallin stated this could eliminate many and that there is no danger in increasing, the guarantee fund may never be used. Representatives Brandewie, Thomas and Glaser did agree. Representative Kadas added that small business is better for economic and political stability. Representative Kadas moved to amend, raising the maximum to \$2 million. A roll call vote resulted in 13 members voting yes and 7 members voting no. Senate Bill 349 will BE CONCURRED IN by unanimous vote.

ACTION ON SENATE BILL 74: Representative Kitselman moved DO PASS on Section Bill 74 and moved the amendments proposed by Tom Schneider. Representative Driscoll stated he understands the intent, but this is not technically correct. Representative Kitselman stated that in the codes there is a list of what highway patrolmen can and can not do. Representative Kadas moved to amend on page 2, line 6, following safety, insert within jurisdiction. The amendment did pass. Representative Kitselman moved the first Schneider amendment which passed with Representatives Jones and Keller voting no. Representative Kadas made a substitute motion to strike all consideration of Section 3. Representative Kadas then withdrew his motion. Senate Bill 74 will be held for further consideration.

ADJOURN: There being no further business before the committee, the meeting was adjourned at 10:00 a.m.


Rep. Bob Pavlovich,
Chairman

DAILY ROLL CALL
BUSINESS AND LABOR COMMITTEE

49th LEGISLATIVE SESSION -- 1985

Date March 25, 1985

NAME	PRESENT	ABSENT	EXCUSED
Bob Pavlovich	✓		
Les Kitselman	✓		
Bob Bachini	✓		
Ray Brandewie	✓		
Jan Brown	✓		
Jerry Driscoll	✓		
Robert Ellerd	✓		
William Glaser	✓		
Stella Jean Hansen	✓		
Marjorie Hart	✓		
Ramona Howe	✓		
Tom Jones	✓		
Mike Kadas	✓		
Vernon Keller	✓		
Lloyd McCormick	✓		
Jerry Nisbet	✓		
James Schultz	✓		
Bruce Simon	✓		
Fred Thomas	✓		
Norm Wallin	✓		

ROLL CALL VOTE

HOUSE COMMITTEE BUSINESS AND LABOR

DATE March 25, 1985 BILL NO. 349 TIME _____

NAME	AYE	NAY
Bob Pavlovich	✓	
Les Kitzelman		✓
Bob Bachini	✓	
Ray Brandewie		✓
Jan Brown	✓	
Jerry Driscoll	✓	
Robert Ellerd		✓
William Glaser	✓	
Stella Jean Hansen	✓	
Marjorie Hart	✓	
Ramona Howe	✓	
Tom Jones		✓
Mike Kadas	✓	
Vernon Keller	✓	
Lloyd McCormick	✓	
Jerry Nisbet	✓	
James Schultz	✓	
Bruce Simon		✓
Fred Thomas		✓
Norm Wallin		✓

Secretary Debbie Aquil

Chairman Bob Pavlovich

Motion: 13-7
amendment by Rep. Kadas

3/25/85

SB349

Submitted by: Dale Harris

EVENSEN DODGE, INC.

FINANCIAL CONSULTANTS

March 22, 1985

Mr. Keith Colbo
Director
Department of Commerce
Helena, MT

Dear Mr. Colbo:

As the state-wide financial advisor for Montana, we offer the following comments regarding the provisions of Senate Bill No. 349 allowing the Montana Economic Development Board to use the in-state investment fund to guarantee loans or bonds.

A clear distinction must be made between providing guarantees for projects under \$1,000,000 and for providing guarantees for major projects (those in excess of \$1,000,000).

PROJECTS UNDER \$1,000,000:

For projects under \$1,000,000 the Board has a program for pooling projects to lower the costs and spread the risks of doing a financing. The program requires substantial developer equity in addition to a letter-of-credit from a bank equal to 35% of the original principal amount of the loan. As an additional protection, each loan recipient is charged an annual fee equal to 1/2 of one percent of the loan balance to establish a guarantee fund which provides additional protection for all bondholders and the State of Montana. All of the protections built into the program provide a great deal of comfort that the State will not be called upon to make an appropriation under the "moral obligation" provisions of the bond issue.

Allowing the Board to guarantee loans or bonds under the pooled program will allow the bonds to receive a credit rating and hence be marketed at lower interest rates without providing any additional exposure to the State. In fact, as the number and diversity of loans in the pool increases, the program as a whole becomes stronger and the risk to the Board decreases.

Mr. Keith Colbo
March 22, 1985
P 2

MAJOR PROJECTS:

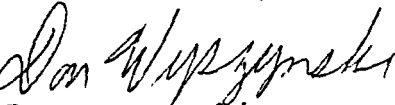
The Board has not yet issued bonds to finance any major projects and has no current plans for providing guarantees of loans or bonds for major projects. It is very important that the Board act cautiously in implementing such a guarantee program. The lack of an existing pool of major projects to spread risk, combined with the potential large size of any one major project, increases the likelihood of needing to borrow money from the in-state investment fund to cover a deficiency resulting from a project delinquency. The pooled program for projects under \$1,000,000 can withstand a reasonable level of project defaults without jeopardizing any assets of the Board or the State's "moral obligation". However, if not properly structured, a default of one major project could result in an erosion of capital in the in-state investment fund.

It may be possible to structure a guarantee program for major projects which will adequately protect the in-state investment fund; however, such a program has not yet been designed by the Board. It would be in the best interest of the Board to obtain some experience in financing major projects prior to giving consideration to implementing a guarantee program.

Please feel free to contact Pat Born or myself if you have any questions or desire additional information.

Sincerely,

EVENSEN DODGE, INC.



Don Wyszynski
Senior Vice President

DW/dls

MONTANA ECONOMIC DEVELOPMENT BOARD Submitted by: Dale Harris
POOLED INDUSTRIAL REVENUE BOND PROGRAM

PROTECTION TO FUNDED GUARANTEE

	<u>MINIMUM</u>		<u>ACTUAL</u> *
EQUITY CONTRIBUTION TO BORROWER:	10%		21%
BANK LETTER OF CREDIT	35%		35%
GUARANTEE FUND FROM BORROWER CONTRIBUTIONS **			
- APPROX. 5% OF TOTAL LOANS OUTSTANDING	@ 15%	@	15%
- APPROX. 33% OF AVERAGE LOAN			
TOTALS:	<u>60%</u>		<u>71%</u>
REQUIRED LIQUIDATION RECOVERY AT COST:	<u>40%</u>		<u>29%</u>
(Appraised value generally exceeds cost)			

In addition, each bond issue includes a 15% capitalized reserve account, which may also be used to make payments on the bonds until assets are liquidated.

* BASED ON THE MEDB's FIRST POOLED ISSUE IN DECEMBER, 1984

** FUNDED BY A .5% INTEREST RATE OVERRIDE PAID BY BORROWERS;
AVERAGE BALANCE IN FUND FOR THE BOARD's DECEMBER 1984 ISSUE OVER FIRST
THREE YEARS IS \$140,000.

BUSINESS AND LABOR

BILL NO. Senate Bill 349

DATE March 25, 1985

SPONSOR Senator Mazurek

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

STANDING COMMITTEE REPORT

HOUSE

March 25

1985

MR. SPEAKER

We, your committee on BUSINESS AND LABOR

having had under consideration SENATE Bill No. 349

third reading copy (blue color)

AUTHORIZE ECONOMIC DEVELOPMENT BOARD TO GUARANTEE BONDS OR LOANS

Respectfully report as follows: That SENATE Bill No. 349

BE AMENDED AS FOLLOWS:

1. Page 5, line 8
Following: "section."
Insert: "(4) Bonds or loans for projects financed under 17-5-1501 through 17-5-1529 whose cost or appraised value for which the financing to be provided by the board exceeds \$2,000,000 and that are not part of a pooled bond issue may not be guaranteed under the provisions of this section."
2. Page 4, line 6
Following: "(2)"
Insert: "Except as provided in subsection (4), the"
Strike: "THE"

SL
345
XXKAGSX
BE CONCURRED IN AS AMENDED

Rep. Bob Pavlovich
Chairman.

MINUTES OF THE MEETING
BUSINESS AND LABOR COMMITTEE
MONTANA STATE
HOUSE OF REPRESENTATIVES

March 28, 1985

The meeting of the Business and Labor Committee was called to order by Chairman Bob Pavlovich on March 28, 1985 at 8:00 a.m. in Room 312-2 of the State Capitol.

ROLL CALL: All members were present.

SENATE BILL 350: Hearing commenced on Senate Bill 350. Senator Bruce Crippen, District #45, sponsor of the bill, explained this provides for imposition of fines when the Securities Act has been violated and after suspension of a license. A \$500 per violation fine is included.

Proponent Kim Schulke, Staff Attorney, Office of the State Auditor, Securities Department, explained this will give the department the opportunity to recoup some of their expenses spent investigating.

Representative Schultz asked Kim Schulke what recourse the purchaser may have. Ms. Schulke explained the department may issue an order to get the purchasers money returned.

There being no further discussion by proponents and no opponents, all were excused by the chairman and the hearing on Senate Bill 350 was closed.

ACTION ON SENATE BILL 350: Representative Kitselman moved DO PASS on Senate Bill 350. Second was received, Senate Bill 350 will BE CONCURRED IN by unanimous vote.

ACTION ON SENATE BILL 129: Representative Howe stated the subcommittee did meet and were waiting to hear Senate Joint Resolution 31. Representative Driscoll moved to amend on the statement of intent, line 23, and explained the financial statement should be enough. Representative Bachini added that the clerk and recorders are against the bill due to the loss of money and the fee must be adjusted to make this work. Representative Bachini moved DO NOT PASS on Senate Bill 129. Representative Brandewie stated this is not a clerk and recorder bill and that they did get a raise in filing fees this session. Representative Ellerd offered a substitute motion that Senate Bill 129 DO PASS and moved the amendments attached hereto as Exhibit 1 and 2. He added there is no protection

for farmers, this bill is for grain people and lending institutions. Representative Howe stated that on the first amendment, you can not segregate livestock from a lien. Representative Schultz added that there is no way sheep and hogs can be identified and that a banker will not loan on anything that is not branded and less than 1/2 of 1 percent of all cattle are unbranded. Representative Thomas explained that it is possible to mortgage unbranded cattle. Representative Keller offered his support of the first amendment. Question being called to the amendments moved by Representative Ellerd, the first amendment received 9 yes votes and 11 no votes. A voice vote defeated the second set of amendments. Representative Ellerd withdrew his DO PASS motion. Representative Bachinis DO NOT PASS motion received 9 yes votes and 11 no votes. Representative Driscolls amendment received a unanimous vote. Representative Brandewie moved DO PASS AS AMENDED. A roll call vote resulted in 11 members voting yes and 9 members voting no. Senate Bill 129 will BE CONCURRED IN AS AMENDED.

ACTION ON SENATE BILL 349: Representative Kadas moved DO PASS On Senate Bill 349 and moved to strike the amendment that was put on previously and moved the amendment as shown on Exhibit 3 attached hereto. A unanimous vote was received in favor of stripping the prior amendment. Representative Thomas stated the \$2 million dollar figure cuts out a lot of business. Representative Pavlovich did agree. Representative Simon stated this could eliminate a lot of projects that would create Montana jobs. Representative Kadas added small business' are economically and politically more stable and they are better for the state. The board is in favor of this amendment. A roll call vote resulted in 4 members voting yes and 16 members voting no. Representative Hansen moved to amend as shown on the standing committee report attached hereto. Dale Harris explained this deals with stand alone projects and is not part of the pool. The amendment did pass with Representatives Kitselman, Simon, Jones and Brandewie voting no. Senate Bill 349 will BE CONCURRED IN AS AMENDED by unanimous vote.

ACTION ON SENATE BILL 208: Representative Schultz moved DO PASS on Senate Bill 208. Representative Glaser added this puts limits on where the money may go and that this is a small handout but is better than nothing. Representative Thomas moved to amend the statement of intent, on page 3, line 4 changing the percentages to 30% and 60%. Representative Schultz did agree and stated this would help those in lower positions. The amendment did pass

DAILY ROLL CALL
BUSINESS AND LABOR COMMITTEE

49th LEGISLATIVE SESSION -- 1985

Date March 28, 1985

NAME	PRESENT	ABSENT	EXCUSED
Bob Pavlovich	✓		
Les Kitselman	✓		
Bob Bachini	✓		
Ray Brandewie	✓		
Jan Brown	✓		
Jerry Driscoll	✓		
Robert Ellerd	✓		
William Glaser	✓		
Stella Jean Hansen	✓		
Marjorie Hart	✓		
Ramona [REDACTED]	✓		
Tom Jones	✓		
Mike Kadas	✓		
Vernon Keller	✓		
Lloyd McCormick	✓		
Jerry Nisbet	✓		
James Schultz	✓		
Bruce Simon	✓		
Fred Thomas	✓		
Norm Wallin	✓		

STANDING COMMITTEE REPORT

HOUSE

March 28

19 85

March 28

SB349

19 85

page 2 of 2

SPEAKER

MR.

BUSINESS AND LABOR

We, your committee on

SENATE

Bill No. 349

having had under consideration

third reading copy (blue color)

AUTHORIZE ECONOMIC DEVELOPMENT BOARD TO GUARANTEE
BONDS OR LOANS

(a) invest in, purchase or make commitments to purchase, and take assignment from financial institutions of notes, mortgages, loan agreements, and other securities evidencing loans for the acquisition, construction, reconstruction, or improvement of projects located in the state, under terms and conditions determined by the board;

(b) acquire, by construction, purchase, devise, gift, lease, or any combination of methods, from financial institutions, projects located in the state and lease such projects to others for such rentals and upon such terms and conditions as determined by the board; ~~or~~

(c) make loans to financial institutions, under terms and conditions determined by the board, requiring the proceeds to be used by the financial institution for the purpose of financing the acquisition, construction, reconstruction, or improvement of projects located in the state; or

(d) finance projects located in the state upon such terms and conditions as determined by the board.

(2) The board may not operate any project as a business or in any other manner except as the lessor thereof or as may be necessary for a temporary period through the enforcement of its rights under a lease, loan agreement, or other security agreement.

Renumber: subsequent sections

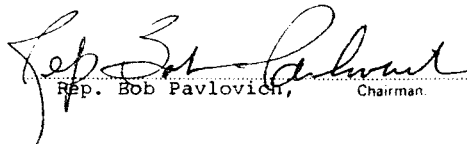
Respectfully report as follows: That SENATE Bill No. 349

BE AMENDED AS FOLLOWS:

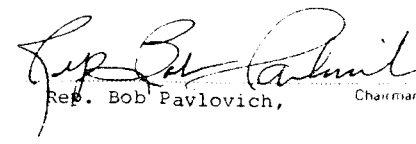
1. Title, line 9
Following: "FUND;"
Insert: "ALLOWING TO SET TERMS TO FINANCE CERTAIN PROJECTS;"
Following: "SECTIONS"
Insert: "17-5-1505,"
2. Page 1, line 13
Following: line 12
Insert: "Section 1. Section 17-5-1505, MCA, is amended to read:
"17-5-1505. Financing programs of the board. (1) The board may:

- continued -

XXXXXX


Rep. Bob Pavlovich, Chairman.

BE CONCURRED IN
as amended


Rep. Bob Pavlovich, Chairman.

ROLL CALL VOTE

HOUSE COMMITTEE BUSINESS AND LABOR

DATE March 28, 1985 BILL NO. 349 TIME _____

NAME	AYE	NAY
Bob Pavlovich		✓
Les Kitselman		✓
Bob Bachini		✓
Ray Brandewie		✓
Jan Brown		✓
Jerry Driscoll		✓
Art Ellerd		✓
William Glaser		✓
Stella Jean Hansen		✓
Marjorie Hart	✓	
Ramona Howe		✓
Tom Jones		✓
Mike Kadas	✓	
Vernon Keller		✓
Lloyd McCormick	✓	
Jerry Nisbet	✓	
James Schultz		✓
Bruce Simon		✓
Fred Thomas		✓
Norm Wallin		✓

Secretary Debbie Aqui

Chairman Bob Pavlovich

Motion: 4-16

amend. by Kadas

1 SENATE BILL NO. 349

2 INTRODUCED BY MAZUREK

3 BY REQUEST OF THE MONTANA ECONOMIC DEVELOPMENT BOARD

4
5 A BILL FOR AN ACT ENTITLED: "AN ACT CLARIFYING AND
6 CONSOLIDATING THE BONDING AUTHORITY OF THE MONTANA ECONOMIC
7 DEVELOPMENT BOARD; AUTHORIZING THE BOARD TO GUARANTEE
8 CERTAIN BONDS AND LOANS; ESTABLISHING A LOAN LOSS RESERVE
9 FUND; ALLOWING THE BOARD TO SET TERMS TO FINANCE CERTAIN
10 PROJECTS; AMENDING SECTIONS 17-5-1505, 17-5-1506, 17-6-308,
11 17-6-311, AND 17-6-315, MCA; AND PROVIDING AN IMMEDIATE
12 EFFECTIVE DATE."

13
14 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:15 SECTION 1. SECTION 17-5-1505, MCA, IS AMENDED TO READ:16 "17-5-1505. Financing programs of the board. (1) The
17 board may:18 (a) invest in, purchase or make commitments to
19 purchase, and take assignment from financial institutions of
20 notes, mortgages, loan agreements, and other securities
21 evidencing loans for the acquisition, construction,
22 reconstruction, or improvement of projects located in the
23 state, under terms and conditions determined by the board;24 (b) acquire, by construction, purchase, devise, gift,
25 lease, or any combination of methods, from financial

1 institutions, projects located in the state and lease such
2 projects to others for such rentals and upon such terms and
3 conditions as determined by the board; or

4 (c) make loans to financial institutions, under terms
5 and conditions determined by the board, requiring the
6 proceeds to be used by the financial institution for the
7 purpose of financing the acquisition, construction,
8 reconstruction, or improvement of projects located in the
9 state; or

10 (d) finance projects located in the state upon such
11 terms and conditions as determined by the board.

12 (2) The board may not operate any project as a
13 business or in any other manner except as the lessor thereof
14 or as may be necessary for a temporary period through the
15 enforcement of its rights under a lease, loan agreement, or
16 other security agreement."

17 Section 2. Section 17-5-1506, MCA, is amended to read:

18 "17-5-1506. Bonds and notes for projects and major
19 projects. (1) The board may by resolution issue negotiable
20 notes and bonds in a principal amount as the board
21 determines necessary to provide sufficient funds for
22 achieving any of its purposes, including the payment of
23 interest on notes and bonds of the board, establishment of
24 reserves to secure the notes and bonds, including the
25 reserve funds created under 17-5-1515, and all other

1 expenditures of the board incident to and necessary or
2 convenient to carry out this part.

3 (2) The board may by resolution, from time to time,
4 issue notes to renew notes and bonds or to pay notes,
5 including interest, and whenever it considers refunding
6 expedient, refund any bonds by the issuance of new bonds,
7 whether or not the bonds to be refunded have matured, or
8 issue bonds partly to refund bonds outstanding and partly
9 for any of its other purposes.

10 (3) Except as otherwise expressly provided by
11 resolution of the board, every issue of its bonds is an
12 obligation of the board payable out of any revenue, assets,
13 or money of the board, subject only to agreements with the
14 holders of particular notes or bonds pledging particular
15 revenues, assets, or money.

16 (4) The notes and bonds shall be authorized by
17 resolutions of the board, bear a date, and mature at the
18 times the resolutions provide. A note may not mature more
19 than 5 years from the date of its issue. A bond may not
20 mature more than 40 years from the date of its issue. The
21 bonds may be issued as serial bonds payable in annual
22 installments, as term bonds, or as a combination thereof.
23 The notes and bonds shall bear interest at a stated rate or
24 rates or at a rate or rate determination as stated, be in
25 denominations, be in a form, either coupon or registered,

1 carry registration privileges, be executed in a manner, be
2 payable in a medium of payment, at places inside or outside
3 the state, and be subject to terms of redemption as provided
4 in resolutions. The notes and bonds of the board may be sold
5 at public or private sale, at prices above or below par, as
6 determined by the board, and in a manner such that interest
7 on the bonds is either exempt from or subject to federal
8 income tax.

9 (5) The bonds issued under this part are exempt from
10 the Montana Securities Act, but copies of all prospectus and
11 disclosure documents must be deposited with the state
12 securities commissioner for public inspection.

13 (6) The total amount of bonds secured under 17-5-1515
14 and 17-5-1519 outstanding at any one time ~~{for--projects~~
15 ~~other--than--major--projects}~~, except bonds as to which the
16 board's obligations have been satisfied and discharged by
17 refunding or bonds for which reserves for payment or other
18 means of payment have been provided, may not exceed \$25 \$75
19 million.

20 ~~{7}--The--total--amount--of--bonds--outstanding--at--any--one~~
21 ~~time--for--major--projects;--except--bonds--as--to--which--the~~
22 ~~board's--obligations--have--been--satisfied--and--discharged--by~~
23 ~~refunding--or--bonds--for--which--reserves--for--payment--or--other~~
24 ~~means--of--payment--have--been--provided;--may--not--exceed--\$50~~
25 ~~million;--"~~

Section 3. Section 17-6-308, MCA, is amended to read:

"17-6-308. Authorized investments. (1) The Montana in-state investment fund must be invested in the securities authorized as permissible investments under 17-6-211 and in any other type of in-state investment authorized by rules adopted by the board. For purposes of this section, "investment" includes the guarantee of loans or bonds in consideration for a fee, in lieu of the actual acquisition of such loans or bonds.

(2) ~~Except as provided in subsection (4), the~~ THE ~~EXCEPT AS PROVIDED IN SUBSECTION (4), THE~~ board may use the in-state investment fund to guarantee loans or bonds issued under the provisions of 17-5-1501 through 17-5-1529, Title 17, chapter 5, part 16, or Title 90, chapter 7. Each guaranty must be given in consideration of a fee. The fees must be paid to the board. The guaranty must provide directly or by separate agreement that the board is fully subrogated to the rights of the obligee under the loan or bond. The board shall by rule establish the maximum ratio between guaranty funds available and loans or bonds to be guaranteed. The board may covenant in bond issues to maintain such ratio.

(3) The board may make loans from the in-state investment fund to the capital reserve account created pursuant to 17-5-1515 and the guaranty fund created pursuant

to 17-5-1520 to establish balances or restore deficiencies therein. The board may agree in connection with the issuance of bonds or notes secured by such account or fund to make such loans. Loans must be on such terms and conditions as the board determines and must be repaid from revenues of the board realized from the exercise of its powers under 17-5-1501 through 17-5-1529, subject to the prior pledge of the revenues to the bonds and notes.

~~(4) Bonds or loans for projects financed under 17-5-1501 through 17-5-1529 whose cost or appraised value for which the financing to be provided by the board exceeds \$1,000,000 and that are not part of a pooled bond issue may not be guaranteed under the provisions of this section.~~

(4) BONDS OR LOANS FOR PROJECTS FINANCED UNDER 17-5-1501 THROUGH 17-5-1529 WHOSE COST OR APPRAISED VALUE FOR WHICH THE FINANCING TO BE PROVIDED BY THE BOARD EXCEEDS \$2,000,000 AND THAT ARE NOT PART OF A POOLED BOND ISSUE MAY NOT BE GUARANTEED UNDER THE PROVISIONS OF THIS SECTION."

Section 4. Section 17-6-311, MCA, is amended to read:

"17-6-311. Limitation on size of investments. (1) No Except as provided in subsection (2), no investment may be made that will result in any one business enterprise or person receiving a benefit from or incurring a debt to the Montana in-state investment fund the total current accumulated amount of which exceeds 10% of the prior fiscal

1 year's coal severance tax revenue deposited in the Montana
2 in-state investment fund.

3 (2) Subsection (1) does not limit the board's
4 authority to guarantee loans or bonds or make loans to the
5 capital reserve account and guaranty fund as provided in
6 17-6-308(2) and (3)."

7 Section 5. Section 17-6-315, MCA, is amended to read:

8 "17-6-315. Service charges -- loan loss reserve fund.

9 (1) The board shall by rule establish reasonable service
10 fees that may be charged on loans made from the Montana
11 in-state investment fund.

12 (2) For both coal tax loans and industrial development
13 bond guaranties the board may deposit service charges, and
14 up to .25% of the interest on coal tax loans, to a loan loss
15 reserve fund. The board shall use the loan loss reserve fund
16 to protect the in-state investment fund from losses."

17 NEW SECTION. Section 6. Extension of authority. Any
18 existing authority of the Montana economic development board
19 to make rules on the subject of the provisions of this act
20 is extended to the provisions of this act.

21 NEW SECTION. Section 7. Effective date. This act is
22 effective on passage and approval.

-End-

CONFERENCE COMMITTEE REPORT

Report No. 1

April 15 1985

MR. SPEAKER

We, your FREE Conference Committee on

SENATE BILL NO.349, reference copy,

met and considered , on April 15, 1985, SENATE BILL NO.349 in its
entirety.

We recommend as follows:

That SENATE BILL NO.349, reference copy, be amended
as follows:

1. Page 5, line 11.

Following: line 10

Strike: "EXCEPT AS PROVIDED IN SUBSECTION (4), THE"

Insert: "The"

2. Page 5, line 22.

Following: "ratio."

Insert: "Unless bonds issued to finance a project are
secured by a common capital reserve account and a common
guaranty fund, the maximum amount of the guarantee
authorized by this section may not exceed \$3,000,000 with
respect to the bonds or loans to finance the project."

3. Page 6, lines 14 through 18.

Strike: subsection (4) in its entirety

FCCSB349

And that this Conference Committee report be adopted.

FOR THE SENATE

Mazurek
MAZUREK, Chm.

Fuller
FULLER

Thayer
THAYER

ADOPT REJECT

FOR THE HOUSE

Harbin
HARBIN

Kadas
KADAS

Kitseiman
KITSEIMAN

Simon
SIMON

SENATE BILL NO. 349

INTRODUCED BY MAZUREK

BY REQUEST OF THE MONTANA ECONOMIC DEVELOPMENT BOARD

A BILL FOR AN ACT ENTITLED: "AN ACT CLARIFYING AND CONSOLIDATING THE BONDING AUTHORITY OF THE MONTANA ECONOMIC DEVELOPMENT BOARD; AUTHORIZING THE BOARD TO GUARANTEE CERTAIN BONDS AND LOANS; ESTABLISHING A LOAN LOSS RESERVE FUND; ALLOWING THE BOARD TO SET TERMS TO FINANCE CERTAIN PROJECTS; AMENDING SECTIONS 17-5-1505, 17-5-1506, 17-6-308, 17-6-311, AND 17-6-315, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

SECTION 1. SECTION 17-5-1505, MCA, IS AMENDED TO READ:

"17-5-1505. Financing programs of the board. (1) The board may:

(a) invest in, purchase or make commitments to purchase, and take assignment from financial institutions of notes, mortgages, loan agreements, and other securities evidencing loans for the acquisition, construction, reconstruction, or improvement of projects located in the state, under terms and conditions determined by the board;

(b) acquire, by construction, purchase, devise, gift, lease, or any combination of methods, from financial

institutions, projects located in the state and lease such projects to others for such rentals and upon such terms and conditions as determined by the board; or

(c) make loans to financial institutions, under terms and conditions determined by the board, requiring the proceeds to be used by the financial institution for the purpose of financing the acquisition, construction, reconstruction, or improvement of projects located in the state; or

(d) finance projects located in the state upon such terms and conditions as determined by the board.

(2) The board may not operate any project as a business or in any other manner except as the lessor thereof or as may be necessary for a temporary period through the enforcement of its rights under a lease, loan agreement, or other security agreement."

Section 2. Section 17-5-1506, MCA, is amended to read:

"17-5-1506. Bonds and notes for projects and major projects. (1) The board may by resolution issue negotiable notes and bonds in a principal amount as the board determines necessary to provide sufficient funds for achieving any of its purposes, including the payment of interest on notes and bonds of the board, establishment of reserves to secure the notes and bonds, including the reserve funds created under 17-5-1515, and all other

1 expenditures of the board incident to and necessary or
2 convenient to carry out this part.

3 (2) The board may by resolution, from time to time,
4 issue notes to renew notes and bonds or to pay notes,
5 including interest, and whenever it considers refunding
6 expedient, refund any bonds by the issuance of new bonds,
7 whether or not the bonds to be refunded have matured, or
8 issue bonds partly to refund bonds outstanding and partly
9 for any of its other purposes.

10 (3) Except as otherwise expressly provided by
11 resolution of the board, every issue of its bonds is an
12 obligation of the board payable out of any revenue, assets,
13 or money of the board, subject only to agreements with the
14 holders of particular notes or bonds pledging particular
15 revenues, assets, or money.

16 (4) The notes and bonds shall be authorized by
17 resolutions of the board, bear a date, and mature at the
18 times the resolutions provide. A note may not mature more
19 than 5 years from the date of its issue. A bond may not
20 mature more than 40 years from the date of its issue. The
21 bonds may be issued as serial bonds payable in annual
22 installments, as term bonds, or as a combination thereof.
23 The notes and bonds shall bear interest at a stated rate or
24 rates or at a rate or rate determination as stated, be in
25 denominations, be in a form, either coupon or registered,

1 carry registration privileges, be executed in a manner, be
2 payable in a medium of payment, at places inside or outside
3 the state, and be subject to terms of redemption as provided
4 in resolutions. The notes and bonds of the board may be sold
5 at public or private sale, at prices above or below par, as
6 determined by the board, and in a manner such that interest
7 on the bonds is either exempt from or subject to federal
8 income tax.

9 (5) The bonds issued under this part are exempt from
10 the Montana Securities Act, but copies of all prospectus and
11 disclosure documents must be deposited with the state
12 securities commissioner for public inspection.

13 (6) The total amount of bonds secured under 17-5-1515
14 and 17-5-1519 outstanding at any one time ~~{for--projects~~
15 ~~other--than--major--projects}~~, except bonds as to which the
16 board's obligations have been satisfied and discharged by
17 refunding or bonds for which reserves for payment or other
18 means of payment have been provided, may not exceed \$25 \$75
19 million.

20 ~~{7}--The--total--amount--of--bonds--outstanding--at--any--one~~
21 ~~time--for--major--projects,--except--bonds--as--to--which--the~~
22 ~~board's--obligations--have--been--satisfied--and--discharged--by~~
23 ~~refunding--or--bonds--for--which--reserves--for--payment--or--other~~
24 ~~means--of--payment--have--been--provided,--may--not--exceed--\$50~~
25 ~~million--"~~

Section 3. Section 17-6-308, MCA, is amended to read:

"17-6-308. Authorized investments. (1) The Montana in-state investment fund must be invested in the securities authorized as permissible investments under 17-6-211 and in any other type of in-state investment authorized by rules adopted by the board. For purposes of this section, "investment" includes the guaranty of loans or bonds in consideration for a fee, in lieu of the actual acquisition of such loans or bonds.

(2) Except as provided in subsection (4), the board may use the in-state investment fund to guarantee loans or bonds issued under the provisions of 17-5-1501 through 17-5-1529, Title 17, chapter 5, part 16, or Title 90, chapter 7. Each guaranty must be given in consideration of a fee. The fees must be paid to the board. The guaranty must provide directly or by separate agreement that the board is fully subrogated to the rights of the obligee under the loan or bond. The board shall by rule establish the maximum ratio between guaranty funds available and loans or bonds to be guaranteed. The board may covenant in bond issues to maintain such ratio. UNLESS BONDS ISSUED TO FINANCE A PROJECT ARE SECURED BY A COMMON CAPITAL RESERVE ACCOUNT AND A COMMON GUARANTY FUND, THE MAXIMUM AMOUNT OF THE GUARANTY AUTHORIZED BY THIS SECTION MAY NOT EXCEED \$3,000,000 WITH

RESPECT TO THE BONDS OR LOANS TO FINANCE THE PROJECT.

(3) The board may make loans from the in-state investment fund to the capital reserve account created pursuant to 17-5-1515 and the guaranty fund created pursuant to 17-5-1520 to establish balances or restore deficiencies therein. The board may agree in connection with the issuance of bonds or notes secured by such account or fund to make such loans. Loans must be on such terms and conditions as the board determines and must be repaid from revenues of the board realized from the exercise of its powers under 17-5-1501 through 17-5-1529, subject to the prior pledge of the revenues to the bonds and notes.

(4) Bonds or loans for projects financed under 17-5-1501 through 17-5-1529 whose cost or appraised value for which the financing to be provided by the board exceeds \$1,000,000 and that are not part of a pooled bond issue may not be guaranteed under the provisions of this section.

(4) BONDS OR LOANS FOR PROJECTS FINANCED UNDER 17-5-1501 THROUGH 17-5-1529 WHOSE COST OR APPRAISED VALUE FOR WHICH THE FINANCING TO BE PROVIDED BY THE BOARD EXCEEDS \$2,000,000 AND THAT ARE NOT PART OF A POOLED BOND ISSUE MAY NOT BE GUARANTEED UNDER THE PROVISIONS OF THIS SECTION."

Section 4. Section 17-6-311, MCA, is amended to read:

"17-6-311. Limitation on size of investments. (1) No Except as provided in subsection (2), no investment may be

made that will result in any one business enterprise or person receiving a benefit from or incurring a debt to the Montana in-state investment fund the total current accumulated amount of which exceeds 10% of the prior fiscal year's coal severance tax revenue deposited in the Montana in-state investment fund.

(2) Subsection (1) does not limit the board's authority to guarantee loans or bonds or make loans to the capital reserve account and guaranty fund as provided in 17-6-308(2) and (3)."

Section 5. Section 17-6-315, MCA, is amended to read:

"17-6-315. Service charges -- loan loss reserve fund.

(1) The board shall by rule establish reasonable service fees that may be charged on loans made from the Montana in-state investment fund.

(2) For both coal tax loans and industrial development bond guaranties the board may deposit service charges, and up to 0.25% of the interest on coal tax loans, to a loan loss reserve fund. The board shall use the loan loss reserve fund to protect the in-state investment fund from losses."

NEW SECTION. Section 6. Extension of authority. Any existing authority of the Montana economic development board to make rules on the subject of the provisions of this act is extended to the provisions of this act.

NEW SECTION. Section 7. Effective date. This act is

effective on passage and approval.

-End-